

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2157-01
Bill No.: HB 986
Subject: Education, Higher; Elementary and Secondary Education Department
Type: Original
Date: March 13, 2015

Bill Summary: This proposal establishes the "Missouri Promise Scholarship Act."

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| General Revenue | (\$20,354,418) | (\$38,425,358) | (\$38,426,535) |
| Total Estimated Net Effect on General Revenue | (\$20,354,418) | (\$38,425,358) | (\$38,426,535) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Missouri Promise Scholarship Fund* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

* Transfers in and costs net to zero.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|--------------|--------------|--------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| General Revenue | 1 FTE | 1 FTE | 1 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 1 FTE | 1 FTE | 1 FTE |

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Higher Education (DHE)** assume §173.1570 creates a new scholarship program called the Missouri Promise Scholarship. It is a last-dollar scholarship to be given to Missouri residents who enter postsecondary education the semester after graduation from an eligible high school. §173.1572 creates the Missouri Promise Scholarship Fund in the state treasury.

In the Fall 2014, 14,407 first-time, full-time Missouri residents enrolled as freshmen at public two-year institutions; 14,508 first-time, full-time Missouri residents enrolled as freshmen at public four-year institutions; and 4,827 first-time, degree-seeking Missouri residents enrolled in private four-year not-for-profit institutions. It is assumed that all of the first-time, full-time Missouri residents are enrolling in the semester immediately following high school as required by the provisions of this program.

Because we do not collect data that would indicate the percentage of these students that live within a community college district, we are basing the estimate of the cost of tuition and mandatory fees at public two-year institutions on the average A+ award, which is \$2,500 for the current academic year. This average tuition and fee level is also considered to be the maximum award under the program for students attending public four-year and independent institutions. Although the bill may include eligibility for students attending private for-profit institutions, payments to these students are not included in this estimate due to a lack of data.

Based on current data collection, DHE is unable to determine the amount of gift aid students receive. As a result, this estimate assumes that students will receive no other gift aid. In addition, the program awards are limited to students pursuing associate degrees, certificates, or diplomas. Since not all public four-year and independent institutions offer such programs, it is assumed the proportion of eligible students will be the same as those graduating with those credentials. At public four-year institutions that proportion is two percent and at independent institutions it is 12 percent. Although not defined, it is assumed diploma refers to a non-degree graduation credential. We estimate approximately half of the first-time, full-time students enrolling as freshmen at public two-year institutions receive a payment through A+, so we assume the other half of those students would receive a payment under the proposed program.

Assuming enrollment numbers remain consistent and all eligible students opt to receive the Missouri Promise Scholarship, the total number of students to receive a payment in the first year (FY 2016) would be 8,073 ($14,407 \times .5 + 14,508 \times .02 + 4,827 \times .12$). At an average award of \$2,500, the initial program cost would be \$20,182,500. In FY 2017, assuming a ten percent

ASSUMPTION (continued)

attrition rate and that all continuing students perform mentoring and community service as required by the bill, the cost would be \$38,347,500 $[8,073 + (8,073 * .9) = 15,339 * \$2,500]$. Although a substantial percent of students will not complete their program within the two year time frame, we assume that additional cost will be offset by students completing shorter programs before the end of the two year window. Therefore, the FY 2017 cost is considered to be the ongoing cost, although tuition increases and potential changes in enrollment patterns by students which cannot be predicted may have an impact on program cost in the future.

Since this is a large new program, DHE would need one additional FTE at the Research Associate I level and expect all costs to last the life of the program.

According to ITSD this proposal would require IT to implement and provide on-going maintenance for the distribution of funds, returning funds and determining yearly eligibility requirements. It is estimated to cost \$129,600 in FY 2016, \$26,568 in FY 2017 and \$27,232 in FY 2018.

Officials at the **State Technical College of Missouri** assume a potential unknown positive impact to the College from an increase in enrollment of A+ students.

Officials at the **Joint Committee on Administrative Rules, Metropolitan Community College, Office of State Treasurer, the University of Central Missouri** and the **University of Missouri** each assume there is no fiscal impact to their respective organization from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

GENERAL REVENUE

| | | | |
|--|----------------|----------------|----------------|
| <u>Transfer Out</u> - MO Promise Scholarships Fund | (\$20,182,500) | (\$38,347,500) | (\$38,347,500) |
|--|----------------|----------------|----------------|

| | | | |
|--|--------------------|-------------------|-------------------|
| <u>Cost</u> - Dept of Higher Education | | | |
| Personal Service | (\$27,840) | (\$33,742) | (\$34,080) |
| Fringe Benefits | (\$14,478) | (\$17,548) | (\$17,723) |
| Computer Programming costs | <u>(\$129,600)</u> | <u>(\$26,568)</u> | <u>(\$27,232)</u> |
| <u>Total Costs</u> - DHE | <u>(\$171,918)</u> | <u>(\$77,858)</u> | <u>(\$79,035)</u> |
| FTE Change - DHE | 1 FTE | 1 FTE | 1 FTE |

| | | | |
|--|------------------------------|------------------------------|------------------------------|
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$20,354,418)</u> | <u>(\$38,425,358)</u> | <u>(\$38,426,535)</u> |
|--|------------------------------|------------------------------|------------------------------|

| | | | |
|---|-------|-------|-------|
| Estimated Net FTE Change on General Revenue | 1 FTE | 1 FTE | 1 FTE |
|---|-------|-------|-------|

MISSOURI PROMISE SCHOLARSHIP FUND

| | | | |
|---|--------------|--------------|--------------|
| <u>Transfer In</u> - from General Revenue | \$20,182,500 | \$38,347,500 | \$38,347,500 |
|---|--------------|--------------|--------------|

| | | | |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| <u>Revenue</u> - gifts, bequests | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 |
|----------------------------------|---------------------------|---------------------------|---------------------------|

| | | | |
|--|--|--|--|
| <u>Costs</u> - MO Promise Scholarships distributed | (Could exceed <u>\$20,282,500</u>) | (Could exceed <u>\$38,447,500</u>) | (Could exceed <u>\$38,447,500</u>) |
|--|--|--|--|

| | | | |
|--|-------------------|-------------------|-------------------|
| ESTIMATED NET EFFECT ON MISSOURI PROMISE SCHOLARSHIP FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|--|-------------------|-------------------|-------------------|

FISCAL IMPACT - Local Government

FY 2016
(10 Mo.)

FY 2017

FY 2018

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

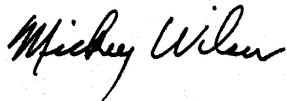
FISCAL DESCRIPTION

This legislation establishes the "Missouri Promise Scholarship Act."

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Joint Committee on Administrative Rules
Metropolitan Community College
Office of the Secretary of State
Office of State Treasurer
State Technical College of Missouri
University of Central Missouri
University of Missouri



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Director
March 13, 2015

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March 13, 2015